

**BOARD OF SUPERVISORS
FINANCE/GOVERNMENT OPERATIONS AND
ECONOMIC DEVELOPMENT COMMITTEE
ACTION ITEM**

SUBJECT: Loudoun Museum

ELECTION DISTRICT: Leesburg

CRITICAL ACTION DATE: May 10, 2016

STAFF CONTACTS: Julie Grandfield, County Administration
Megan Bourke, Department of Management and Budget

PURPOSE: The purpose of this item is to update the Finance/Government Operations and Economic Development Committee on the ongoing collaboration between County staff and the Loudoun Museum and present options to move forward.

RECOMMENDATIONS: Staff recommends that the Finance/Government Operations and Economic Development Committee recommend the Board of Supervisors approve Option 1, as detailed below and direct staff to develop a Memorandum of Understanding with the Loudoun Museum that will be returned to the Board for action at a later date.

BACKGROUND: In July 2015, the Board of Supervisors approved a supplemental funding allocation to the Loudoun Museum for a total FY 2016 contribution of \$91,007. The Loudoun Museum shared with the Board that without this funding, it would have to begin the process of dissolution. The Board directed staff to return in December 2015 with a plan for the long-term financial future of the Museum.

Between July and December 2015, County staff met frequently with the Loudoun Museum staff and trustees as well as other community stakeholders (“Museum working group”) to discuss the future outlook of the Museum. The overriding goal of these discussions was to offer solutions that would enable the Loudoun Museum to continue to operate as an independent, non-profit organization. These discussions yielded a recommendation, approved by the Board on December 16, 2015, to program funds for the hiring of a development manager (who would be an employee of the Museum), to establish and execute a development plan and to establish an Executive Oversight Committee. The FY 2017 Adopted Budget includes \$156,000 for Loudoun Museum. This total includes \$91,000 for regular operating expenditures and \$65,000 for the cost of hiring a development manager.

Since December, County staff and Museum trustees have discussed how to move forward with the Board's recommendation. Through joint discussions, County staff and Museum trustees have agreed to move forward with a slightly amended plan than what was approved in December; this proposal will accomplish the same goals as the prior motion, while allowing the Loudoun Museum to maintain its autonomy and its 501(c)(3) status. There are three options under consideration:

Option 1: Use of Contractual Development Services

County staff would develop a scope of services and then, through a Request for Quotation (RFQ) procurement process, select a vendor to provide development services to the Museum. The County would control the contract and offer the development services to the Museum through a Memorandum of Understanding that would contain specific terms and conditions of the arrangement.

In this Option, the County would continue to store the majority of the Museum's collection, which is the current arrangement and the Museum would be expected to continue operations.

Cost of Option 1 would entail expenditure of the \$156,000 to include the cost of development services and operating cost to the Museum. The cost of contractual services will likely be greater than \$65,000, which was originally meant to support the hiring of an employee. Therefore, the transfer to the Museum for operations is less than predicted (in December) under Option 1. Staff recommends an expenditure of up to \$90,000 for the contractual services and the transfer of funds to the Museum of \$66,000. This process is estimated to take approximately two to three months to develop, issue, evaluate, and award the RFQ.

Option 2: County Management of the Collection

The County would take over the storage and, if the Museum desires, the display of Museum artifacts in County facilities. This could be a temporary solution, allowing Museum staff and trustees to concentrate on fundraising and creating financial sustainability for itself moving forward, or a permanent solution. Notwithstanding, the County would agree to act as a "custodian trustee" to the Museum to store the collection in the event the Museum fails financially. This would remain in effect until such time as the Museum has the ability to re-constitute itself. This Option would address a primary concern of the Board and the community in that this Option would preserve the collection. The cost of storage of the collection, as well as display in County facilities, would be the borne by the County.

Under Option 2, the Museum would not operate and there would be no transfer of the \$156,000 to the Museum.

Option 3: Museum Operations by a Third Party

Under this Option, the County would issue a Request for Proposal (RFP) on behalf of the Museum for the operations and curation of the Museum and its artifacts. Interested parties

may include other museums or universities if they so choose. This process is estimated to take approximately six to nine months to develop, issue, evaluate, and award the RFP as well as to transition the operations to a third party.

Under this Option, the County would provide some level of seed money (possibly decreasing tiered multi-year contributions) to the third party during the first few years of transitioning to Museum operations. The exact amounts would be negotiated in developing a Memorandum of Understanding (MOU).

Under this Option, the Museum would be expected to operate until a third party takes over. Therefore, staff suggests funding to the Museum in the amount of \$66,000. In the event the Museum fails financially, the County would agree to act as a “custodian trustee” to the Museum to store the collection.

The Loudoun Museum Board of Trustees supports *Option 1*. Staff is also supportive of *Option 1* because it keeps the management of the Museum and its collection within the control of Loudoun Museum staff and addresses the source of the Museum’s chronic problem of lack of operating dollars by dedicating resources to set up a robust fundraising/development operation. It will also institute certain controls through terms on the MOU that must be met if renewal of the contract is expected.

After the Committee provides a recommendation to the Board, and staff is provided with direction, staff will develop a Memorandum of Understanding (MOU) with the Museum to ensure the funds programmed in the FY 2017 Budget accomplish the goal of financial sustainability for the Museum’s future.

ISSUES: An MOU will be executed to formally establish the terms of the agreement and to ensure the funds budgeted for the Loudoun Museum are used in a way the Board of Supervisors supports.

Staff proposes the following terms for the MOU under Option 1:

1. One-year MOU term with options for renewal
2. Fundraising benchmarks to include annual development figures and an established percentage of funds raised from private corporations
3. Enforced expectations of Museum Board of Trustee fundraising efforts (“Give or Get”)
4. Termination clause
5. Scheduled oversight and progress reporting with County staff

FISCAL IMPACT: The FY 2017 Adopted Budget includes funding in the amount of \$156,000 for the Loudoun Museum.

DRAFT MOTIONS:

1. I move that the Finance/Government Operations and Economic Development recommend the Board of Supervisors **approve** *Option 1* as detailed above and direct staff to develop a MOU with the Loudoun Museum that will be returned to the Board at a later date for action.

OR

2. I move an alternate motion.